

FLORENCE BAIN SENIOR CENTER
REVIEW OF CASH RECEIPTS
SEPTEMBER 2001

September 2001

The County Council and County Executive
of Howard County, Maryland

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, we have
conducted a review of selected activities of the

DEPARTMENT OF CITIZEN SERVICES
OFFICE ON AGING
FLORENCE BAIN SENIOR CENTER
REVIEW OF CASH RECEIPTS

and our report is submitted herewith. The scope of our examination related specifically to a review of
internal controls in place relating to the collection of revenues. The body of our report presents our findings
and recommendations.

The contents of this report have been reviewed with the Chief Administrative Officer and the
Director of Citizen Services. We wish to express our gratitude to the Office on Aging for the cooperation
and assistance extended to us during the course of this engagement.

Ronald S. Weinstein, C.P.A.
County Auditor

Brenda S. Dean, C.P.A.
Auditor-in-Charge

INTRODUCTION AND SCOPE

The Florence Bain Senior Center was built as an activity center for senior citizens of Howard County. The Howard County Office on Aging provides the administrative staff for the facility and sponsors activities at the Center. Programs are also sponsored by the Howard Community College and the Department of Recreation and Parks.

We conducted a surprise cash count at the Center on January 9, 2001, at which time a total of \$5,065.20 in cash and checks was counted. Some of this money was part of bank deposits which had been made up and were awaiting deposit, some was in clearly marked envelopes or bank bags, and some was simply attached to Florence Bain Senior Center cash receipts. We were informed that revenues received for County programs are deposited into the County's bank account at Allfirst Bank with a copy of the deposit slip being sent to the cashier at the Department of Finance along with a distribution of funds sheet showing each program and account number the revenues apply to. A copy is also sent to the Fiscal Clerk at the Office on Aging. Howard Community College and the Department of Recreation and Parks collect and deposit their own funds. As a result of observations and inquiries made at the time of the surprise cash count, we decided to expand our review of the internal control structure in place relating to the collection of revenues to include a documentation of control procedures and tests of accounting records. The following paragraphs describe the programs reviewed.

Nutrition Program

This is a federally and locally funded program that provides free lunches to senior citizens. Federal guidelines require that the County accept contributions for meal costs from participating seniors. The funds collected are turned in to Center personnel who deposit them into the County's bank account.

Aerobics and Ceramics Programs

These programs are operated by the Howard Community College. Class fees are collected, recorded and deposited by the college. All money collected for greenware, paint, etc., goes into the Howard County account. A County credit card is used for purchases.

Building Usage

The Center allows various groups or organizations to use the building in the evenings and on weekends for a predetermined fee. Rates may be negotiated for nonprofit groups for Friday, Saturday, and Sunday use. Security deposits are required at the time the contract is issued for groups that do not meet on a continuing basis and is refunded within two weeks of the event if no problems have occurred. Checks are made payable to the Director of Finance and deposited into the County's bank account.

Spring Program

Spring is a membership program where trained volunteer facilitators provide affordable emotional support to other older adults. The program coordinator maintains a ledger of the membership indicating which members have paid their dues and reconciles her records quarterly with the Fiscal Clerk for the Florence Bain Senior Center to verify that revenue amounts agree. Membership dues are collected and deposited into the County's bank account.

Recreation and Parks

The Department of Recreation and Parks sponsors numerous programs for senior citizens, many of which are held at the Center. Four (4) Recreation and Parks employees are headquartered at the Center and all revenue collected on behalf of that department (they also accept credit cards) is handled by them and is not processed by the Center.

Miscellaneous Programs

There are numerous programs (dances, cooking, etc.) that are either organized and run by volunteer committees of seniors who participate in the activities or by the Center's Program Coordinator. These committees, or the Program Coordinator, set the fee for each program. Program fees are collected by Center personnel and turned over to the Fiscal clerk for processing. In addition, some committees buy supplies and turn the invoices over to the fiscal clerk for payment by the County. The Fiscal Clerk can also purchase supplies and materials with a County credit card which has a limit of \$1,000. In this case, invoices are forwarded to the Office on Aging for approval before being paid by the County. An account is maintained for each of these programs and receipts and expenditures are posted to it.

FINDINGS, COMMENTS AND RECOMMENDATIONS

General Receipts

We reviewed the current duties performed by the Fiscal Clerk of the Center. Her duties include the following:

- receives and is responsible for safekeeping of receipts prior to bank deposit
- prepares receipts for deposit
- takes deposits to bank
- maintains all cash receipts account records at the Center
- coordinates all rental activity, collects revenue and maintains related records

The assignment of these duties to one individual represents a lack of segregation of record keeping

and cash handling duties. Funds could easily be misappropriated and the records altered in such a way as to prevent the discovery of the misappropriation by other Center personnel. The situation is further exacerbated by the manner in which revenues are received and cash receipts issued (see recommendation # 3). To provide a better control structure over cash collected at the Florence Bain Senior Center we recommend that:

1. ***The record keeping function and cash handling function be segregated to provide a better check and balance control over the revenues collected.***

Administration's Response:

As of July 1, 2001, the Program Registrar position was assigned responsibility for receiving all monies at the front desk. The Fiscal Clerk is responsible for making up the deposit.

Our review also disclosed that the Center has incomplete written procedures governing the collection, recordation and safeguarding of all types of cash receipts. Comprehensive written procedures are necessary to provide new and current employees with clear and precise guidelines on how to perform their assigned tasks. We therefore recommend that:

2. ***The Office on Aging prepare comprehensive written policies and procedures to govern the collection, recordation and safeguarding of all revenues received at the Florence Bain Senior Center.***

Administration's Response:

The existing Florence Bain Senior Center written policies covering how monies are collected, recorded, and safeguarded were put in place in FY97. The revised policies and procedures will be revised after a final decision is made about the computerized cash register system. The Office on Aging anticipates major changes to fiscal procedures and will update the existing policies at that time. The revised policies will be reviewed internally by the Department of Citizen Services administrative staff prior to adoption.

Revenues for the various programs are collected at the front desk and, at the time of the transaction, a cash receipt is issued from the appropriate cash receipt book. Three-part numbered cash receipt books are maintained for at least ten different activities. The original of the cash receipt is given

to the payee, a copy with the money attached is transferred to a locked file cabinet at the end of the day, and the third copy is kept in the cash receipt book which is filed when completely used up. Good internal control mandates that all revenue be accounted for. This would require that all cash receipts be reconciled with all revenue received to verify that none is missing and that it is being credited to the proper programs. We understand this is now being done with the Spring and Seats programs, however, it would have to be done for all programs to accurately determine that all funds are accounted for. Based on the number of cash receipts written for all programs, this would be a very time-consuming and laborious task which could be easily performed on a daily basis with a computerized cash register system. We believe this would pay for itself in a short period of time in terms of personnel costs saved and strengthened internal controls in terms of providing an audit trail of all revenues received broken down by program. It would also be efficient in tracking total program registrations, issuing a receipt to the payee, and providing current information to the Office on Aging on a daily basis. We strongly recommend that:

3. **Funds be included in the budget to purchase a computerized cash register system for the Florence Bain Senior Center as soon as possible.**
4. **This system also be obtained for the other centers.**

Administration's Response: (3 & 4)

Funds have been designated for a cash register system for two centers. A staff committee from the Department of Citizen Services Director's Office, Office on Aging, Department of Finance, and Recreation and Parks was established to determine the best system to meet the recommendation. The group met August 22, with a follow-up meeting with a vendor on September 10, 2001, to review the Rec Ware/Safari software program currently used by the Department of Recreation and Parks. The program combines program registration information, applicable fees, number of attendees, rental and security deposits, and other pertinent information. In addition, it documents total fees collected and provides reconciliation at the end of the day. The software will allow the Center to combine room rentals, program registration, and fiscal accountability in one system.

The software will also make it possible for the Florence Bain Senior Center to centralize how funds are handled when collected for center activities. In the planned center renovation, the Office on Aging and Recreation and Parks plan to have a single location in the center where registration for programs for either agency can be taken.

This software, if determined sufficient, will be used at the Ellicott City Senior Center, due to open in Spring of 2002. The remaining senior centers are too small to warrant the expense of a computerized cash register system.

5. ***Integrity of receipts be maintained by limiting access to them to the person collecting them, i.e., the cashier, until they are turned over to the fiscal clerk.***

Administration's Response:

The part time Program Registrar has sole responsibility for collecting monies and writing receipts. A staff backup system is in place to cover the absence of the Program Registrar in case of illness, vacation, etc. Only this position or the delegated backup staff have access to the receipt books.

Due to the critical nature of this work and the limited personnel at the Florence Bain Center with front desk responsibilities, the Center has established new hours (8:30am-1:30pm) for paying the programs. This time frame allows the part time Program Registrar time to settle all money and receipts prior to turning the day's receipts over to the Fiscal Clerk.

6. ***Cash collected be reconciled to the register tape totals by the cashier at the end of every day or shift before being given to the fiscal clerk.***

Administration's Response:

The Program Registrar will run register tape totals of each receipt book every day, prior to turning over to the Fiscal Clerk. This responsibility will be added as of October 1. The employee is part time and shifting telephone duties to another staff person is necessary to create time for this function.

7. ***Once receipts are turned over to the fiscal clerk, only she and the Center Director have access to them.***

Administration's Response:

Only the Fiscal Clerk and Center Director have access to the receipts stored in the safe in the Fiscal Clerk's office.

After the receipts are turned over to the Fiscal Clerk, and until they are deposited, receipts are kept

in a locked file cabinet which at least three people can access. Furthermore, this cabinet is located in an area that is accessible to all employees. There are occasions when as much as \$15,000 could be stored in this cabinet at one time. This is too much money to be stored in a file cabinet that could be pried open if someone was so inclined and the opportunity to do so presented itself or if the cabinet was accidentally left unlocked. We therefore recommend that:

8. *A safe with a combination lock be obtained to store all revenues until they are taken to the bank.*
9. *This safe be kept in a secured area which is accessible, preferably, only to the fiscal clerk and Center Director.*

Administration's Response: (8 & 9)

A safe has been installed in the office of the Fiscal Clerk, with access limited to her and the Center Director.

Surprise Cash Count

As noted above, a total of \$5,065.20 in cash and checks was counted at the time of the surprise cash count on January 9, 2001. Deposit slips had been prepared for \$3,624.40 of this amount and the rest was in assorted marked bags and envelopes. None of the checks in this latter group had been restrictively endorsed. Several checks were dated in November 2000 while others had various dates in December and January. Nine separate deposits had been made up with the oldest deposit slip dated December 18, 2000. Not restrictively endorsing the checks upon receipt and holding cash and checks at the center instead of depositing them makes the funds more susceptible to theft or loss and reduces the interest income the County can earn. A review of deposits made during the last six months of 2000 revealed that deposits are not being made on a weekly basis at a minimum. Three deposits were made towards the end of July, three deposits were made in August, two towards the end of September, two at the end of October, three in November, and three towards the end of December. To strengthen the controls safeguarding these assets, we recommend that:

10. *All checks be restrictively endorsed upon receipt. Such endorsement should indicate "For Deposit Only, Howard County, Maryland."*

Administration's Response:

Endorsement stamps have been purchased and are in use.

11. *Cash receipts collected should not be held by the Center but should be deposited within a day or two of collection.*

Administrations's Response:

Funds are deposited into Allfirst Bank by the Fiscal Clerk at least once a week. The Director makes the deposits in the absence of the Fiscal Clerk. Deposits are not made daily at this time because the Fiscal Clerk has multiple responsibilities which do not always allow time to make daily deposits.

Auditor's Follow-Up Response:

A Department of Finance directive to all Directors and Administrators issued October 23, 2000, states that "All agencies that collect revenue on a regular basis should deposit those funds daily. Holding cash/checks makes them more susceptible to theft or loss and reduces the interest income the County can earn." We continue to recommend that receipts be deposited within a day or two of collection.

We would like to thank the staff of the Florence Bain Senior Center and the Office on Aging for their cooperation during our review. We will be conducting a follow-up review in one year.

BD:dl-Fbsc01